

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 401 - SB 450

March 8, 2017

SUMMARY OF BILL: Requires buses that are used exclusively for the transportation of students pursuant to a contract with a local education agency (LEA) to be registered as passenger motor vehicles instead of motor vehicles operating for hire.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$6,000/General Fund
\$291,600/Highway Fund**

Assumptions:

- Pursuant to the Attorney General's Opinion No. 15-53, issued on June 25, 2015, buses that are used exclusively for the transportation of students pursuant to a contract with an LEA should be registered as motor vehicles operating for hire pursuant to Tenn. Code Ann. § 55-4-112(a).
- On September 11, 2015, the Department of Revenue has instructed all county clerks, in accordance with Attorney General's Opinion, to register all such buses as motor vehicles operating for hire.
- It is therefore assumed that, under current law, all such buses are registered as motor vehicles operating for hire in FY16-17 and subsequent years.
- Registration fees are established based on seating capacity for passengers of such motor vehicles as follows:
 - \$37.13 for vehicles with no more than 7 seats;
 - \$86.63 for vehicles with over 7 seats and not more than 15 seats;
 - \$152.63 for vehicles with over 15 seats and not more than 25 seats;
 - \$235.12 for vehicles with over 25 seats and not more than 35 seats; and
 - \$317.63 for vehicles with over 35 seats.
- The proposed legislation would require such buses to be registered as passenger motor vehicles pursuant to Tenn. Code Ann. § 55-4-111(a)(1) as Class (B) vehicles, for which the registration fee is \$18.75.
- According to the Department of Education, there are 2,750 privately-owned buses operated through a contract with an LEA.
- The exact number of such privately-owned buses that are not used exclusively for the transportation of students is unknown. However, it is reasonably estimated that approximately 50 percent of such buses, or 1,375 (2,750 x 50.0%), are also used for

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commercial purposes and would not qualify to be registered as a passenger motor vehicle under the proposed legislation.

- The remaining 1,375 buses (2,750 – 1,375) will qualify to register as passenger motor vehicles. This number is assumed to remain constant in subsequent years.
- The average seating capacity of such buses is unknown. However, it is assumed that most buses have a seating capacity of over 15 seats.
- The average registration fee that would be imposed on such buses under current law is estimated to be \$235.13 $[(\$152.63 + \$235.12 + \$317.63) / 3]$.
- Pursuant to Tenn. Code Ann. § 55-6-107, 98 percent of registration fee revenue is deposited in the Highway Fund and 2 percent is allocated to the General Fund.
- The recurring decrease in state revenue is estimated to be \$297,523 $[(\$235.13 - \$18.75) \times 1,375 \text{ buses}]$. Of this amount, \$291,573 would be a recurring decrease to the Highway Fund $(\$297,523 \times 98.0\%)$, and \$5,950 would be a recurring decrease to the General Fund $(\$297,523 \times 2.0\%)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee".

Krista M. Lee, Executive Director

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